

Message Text

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PAGE 01 STATE 286274
ORIGIN EB-08

INFO OCT-01 ARA-10 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 L-03 LAB-04
NSAE-00 PA-01 CTME-00 AID-05 SS-15 STR-05 ITC-01
TRSE-00 PRS-01 SP-02 OMB-01 USIE-00 INRE-00
NSCE-00 SSO-00 /069 R

DRAFTED BY EB/ICD/TRP:MMWALL:BLO
APPROVED BY EB:JLKATZ
EB/ICD/TRP:TJO'DONNELL
EB/ORF:SWBOSWORTH
EB/ORF/ICD:CANGEVINE
ARA/CEN:EHICKS
ARA/ECP:SROGERS

-----013905 010116Z /63

O 010034Z DEC 77 ZFF4
FM SECSTATE WASHDC
TO AMEMBASSY SAN SALVADOR NIACT IMMEDIATE

LIMITED OFFICIAL USE STATE 286274

E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: COFFEE: CFTC INVESTIGATION

REF: (A) SAN SALVADOR 5252, (B) SAN SALVADOR 5498

1. IN COOPERATION WITH THE COMMODITY FUTURES TRADING
COMMISSION (CFTC), THE BOARD OF MANAGERS OF THE NEW YORK
COFFEE AND SUGAR EXCHANGE ADOPTED A RESOLUTION ON NOVEMBER
23 ORDERING TRADING FOR LIQUIDATION OF ALL OPEN POSITIONS
ONLY IN THE DECEMBER "C" CONTRACT AND LAYING DOWN A TIME-
TABLE FOR A PHASED LIQUIDATION FROM NOVEMBER 23 TO THE
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CLOSE OF TRADING ON DECEMBER 20. IN INITIATING THIS
MEASURE, THE CFTC ACTED WITHIN ITS MANDATE TO PREVENT
POTENTIAL PRICE MANIPULATION IN THE DECEMBER CONTRACT. THIS
ORDER APPLIES TO ALL TRADERS, BOTH DOMESTIC AND FOREIGN.
AS A RESULT OF ITS REGULAR MONITORING OF THE COFFEE MARKET,
THE CFTC HAD CONCLUDED THAT AN EMERGENCY EXISTED FOR THE
DECEMBER CONTRACT AND THAT "ACTS OF A FOREIGN GOVERNMENT

OR GOVERNMENTS ARE AFFECTING TRADING IN COFFEE IN A MANNER WHICH IS PREVENTING THE MARKET FROM ACCURATELY REFLECTING THE FORCES OF SUPPLY AND DEMAND FOR COFFEE." THE SALVA-DORAN COFFEE COMPANY IS KNOWN TO HOLD A SIZEABLE PORTION OF THE OPEN POSITIONS IN THIS CONTRACT.

2. THE COFFEE COMPANY'S ACTIVITIES IN THE DECEMBER 1977 CONTRACT AND IN PREVIOUS CONTRACTS SINCE SEPTEMBER 1976 ARE HIGHLY QUESTIONABLE. OVER THE PAST YEAR, THE COMPANY HAS RECEIVED REPEATED WARNINGS FROM THE CFTC THAT ITS ACTIONS IN THE NEW YORK MARKET COULD BE IN VIOLATION OF THE COMMODITY EXCHANGE ACT. THE DEPARTMENT ARRANGED A MEETING BETWEEN THE COMPANY'S DIRECTOR, RICARDO FALLA, AND THE CFTC LAST JULY. FALLA HAS CONSISTENTLY RESISTED CFTC REQUESTS FOR FULL INFORMATION ON THE COMPANY'S ACTIVITIES AND PLANS.

3. FALLA SHOULD BE UNDER NO ILLUSION THAT HE CAN EXPECT SPECIAL TREATMENT BY THE CFTC OR THE NEW YORK COFFEE AND SUGAR EXCHANGE IN THEIR EFFORTS TO ASSURE ORDERLY TRADING IN THE NEW YORK COFFEE MARKET. EMBASSY SHOULD MAKE VERY CLEAR TO FALLA THAT THE DEPARTMENT HAS NO INTENTION OF INTERVENING ON HIS BEHALF WITH THE CFTC OR THE EXCHANGE. UNDER THE TERMS OF THE CFTC'S RECENT ORDER, FALLA MAY REQUEST A PROMPT HEARING BY THE CFTC EITHER THROUGH WRITTEN SUBMISSIONS OR THROUGH AN ORAL HEARING AT THE LIMITED OFFICIAL USE

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CFTC'S DISCRETION. IN FACT DEPARTMENT HAS BEEN INFORMED THAT HEARING HAS BEEN SCHEDULED FOR DECEMBER 1 WHICH THE COMPANY'S LAWYER WILL ATTEND. VANCE

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INFO OCT-01 ISO-00 /005 R

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DRAFTED BY:EB/ICD/TRP:J. O. O'DONNELL
APPROVED BY:THOMAS J. O' DONNELL

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R 020626Z DEC 77
FM SECSTATE WASHDC
INFO RUESUZ/AMEMBASSY BRASILIA 9510
AMEMBASSY BOGOTA
AMEMBASSY GUATEMALA
AMEMBASSY LONDON
AMEMBASSY MANAGUA
AMCONSUL RIO DE JANEIRO
AMEMBASSY SAN JOSE
AMCONSUL SAO PAULO
AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE STATE 286274

FOL SECSTATE 286274 SENT ACTION SAN SALVADOR DEC 1, 1977 REPEATED TO
YOU QUOTE

LIMITED OFFICIAL USE STATE 286274

E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: COFFEE: CFTC INVESTIGATION

REF: (A) SAN SALVADOR 5252, (B) SAN SALVADOR 5498

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COFFEE AND SUGAR EXCHANGE ADOPTED A RESOLUTION ON NOVEMBER
23 ORDERING TRADING FOR LIQUIDATION OF ALL OPEN POSITIONS
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TABLE FOR A PHASED LIQUIDATION FROM NOVEMBER 23 TO THE
CLOSE OF TRADING ON DECEMBER 20. IN INITIATING THIS
MEASURE, THE CFTC ACTED WITHIN ITS MANDATE TO PREVENT
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ORDER APPLIES TO ALL TRADERS, BOTH DOMESTIC AND FOREIGN.
AS A RESULT OF ITS REGULAR MONITORING OF THE COFFEE MARKET,
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DECEMBER CONTRACT AND THAT "ACTS OF A FOREIGN GOVERNMENT
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WHICH IS PREVENTING THE MARKET FROM ACCURATELY REFLECTING
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VANCE

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
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Concepts: COFFEE
Control Number: n/a
Copy: SINGLE
Sent Date: 01-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Handling Restrictions: n/a
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Legacy Key: link1977/newtext/t197712104/aaaadkpz.tel
Line Count: 200
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Litigation History:
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Original Previous Classification: n/a
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To: SAN SALVADOR
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22 May 2009
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